THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.3582 of 2006

ORDER:

This writ petition is filed seeking a Mandamus declaring the Letter No.49081/2000/U.B.III dated 24.1.2006 of the second respondent as illegal, arbitrary and contrary to the provisions of Section 66(1)(e) of the A.P. Cooperative Societies Act, 1964 and consequently direct the respondents to pay interest on the deposits beyond the liquidation period i.e. 27.7.2002 till the date of final payment.

It appears that the members of the petitioner Association are the depositors of the fourth respondent Bank. The fourth respondent Bank was wound up and liquidator was appointed. It seems, while settling the amounts against the deposits made by the members of the petitioner association, the liquidator has paid interest upto 27.7.2002. When the members of the Petitioner Association approached the authorities for payment of further interest on the ground that surplus funds are available, the impugned letter dated 24.1.2006 was addressed to the President of the petitioner association stating that as per Section 66(1)(e) of the A.P. Cooperative Societies Act, 1964 (for short 'the Act'), the liquidator is empowered to pay interest only upto the liquidation of the Bank. In this regard, it may be necessary to notice Section 66(1)(e) of the Act, which reads as under:

> "Subject to the control of the Registrar, the liquidator shall have the power to pay claims against the society including interest upto the date of winding up according to their respective priorities, if any, in full or rateably, as the assets of the society may permit, the surplus, if any, remaining after payment of the claims, being applied in payment of interest from the date of such order of winding up at a rate fixed by him but not exceeding the

contract rate in any case".

The above provision contemplates that interest can be claimed upto the date of winding up and if surplus amounts are available, the interest from the date of such order of winding up at the rate fixed by him, but not exceeding the contract rate in any case. That means the depositors are entitled to interest from the date of winding up till the date of payment. However, if surplus funds are available, the liquidator can decide as to granting of interest in such case and not exceeding contract rate of interest. Merely because section 69-A contemplates termination of liquidation proceedings within three years from the date of winding up proceedings, that does not mean that the petitioner is not entitled for interest upto the date of liquidation. A combined reading of Section 66(1)(e) and Section 69A of the Act would indicate that the depositors are entitled to interest even beyond the period of liquidation, provided surplus funds are available. After paying such interest as fixed by the Liquidator, if further funds are available, the same can be disposed of as per the bye-laws of the society as contemplated under Section 69B of the Act.

In view of the above, the impugned letter of the second respondent dated 24.1.2006 is set aside and the respondents are directed to pay interest on the deposits even beyond the date of liquidation, provided surplus funds are available for paying such interest as noticed hereinabove.

The writ petition is allowed to the extent indicated above. No order as to costs.

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C.V.RAMULU, J

Date: 21.8.2006

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THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.3582 of 2006

21.8.2006

IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH
AT HYDERABAD

THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.3582 of 2006

Dated: 21st August, 2006

Between:

The Kurnool Urban Cooperative Bank
Depositors Association, Kurnool, rep. by its
President S.Venkateswarlu.

.. Petitioner

and

The Government of A,.P., rep. by its
Secretary, Cooperative Department,
Secretariat Buildings, Hyderabad & others.

.. Respondents